

2. FINANCIAL

BASIC REQUIREMENT

The grantee must demonstrate the ability to match and manage FTA grant funds, cover cost increases, cover operating deficits through long-term stable and reliable sources of revenue, maintain and operate federally funded facilities and equipment, and conduct an annual independent organization-wide audit in accordance with the provisions of OMB Circular A-133.

AREAS TO BE EXAMINED

1. *Financial Capacity*

The certification of financial capacity is included in the Annual List of Certifications and Assurances (Category 1 and 15).

- a. Documentation of Financial Condition
- b. Documentation of Financial Capacity
- c. Financial Plan in TIP
- d. Multi-year financial plan (three to five years), including income statements
- e. Current year's operating and capital budget

2. *Funds Management*

- a. ECHO Documentation
- b. Financial Status Reports
- c. Cost Allocation Plan
- d. Operating Budgets

3. *Audits/Oversight Reports*

- a. Annual Single Audit Reports (where applicable)
- b. Internal/State/Local Audits
- c. OIG/GAO Audits
- d. FMO Reports

Selection of ECHO Drawdowns for Review During the Site Visit – The reviewer will use the following systematic approach when selecting drawdowns (i.e., disbursement transactions) to examine. Using this approach the reviewer will prepare a list of disbursement transactions to examine during the site visit. The steps described below are illustrated on pp. 2-3 through 2-9 of this section for a site visit beginning on November 1, 2007.

1. Data Source – Prior to the site visit, the reviewer will prepare a summary of disbursements for the 36 months

preceding the site visit using TEAM data. These data can be downloaded using the Data Queries function as follows:

- a. Select “Disbursements and Refunds” from the Dynamic Query>>Data Query menu
 - b. Select the Recipient ID from the Drop-down list under Additional Search Criteria
 - c. Click the “Submit” button
 - d. Click the “Disbursements and Refunds” link on the Disbursement and Refunds frame
 - e. Click the “Open” button (you can also click “Save” and save the data directly to a file).
 - f. Copy the data and Paste it into an Excel spreadsheet (or Open your saved data file).
 - g. Sort and clean spreadsheet data.
2. Sample Size – The reviewer will select a sample of transactions based upon the total number of disbursement transactions during the 36 months (three 12 month periods) preceding the site visit as follows:
 - a. Five (5) transactions for each 12-month period in which there were 50 or more disbursements.
 - b. Four (4) transactions for each 12-month period in which there were between 25 and 49 disbursements.
 - c. Three (3) transactions for each 12-month period in which there were less than 25 disbursements.
 3. Sample Selection – The reviewer will select the sample according to the following procedure.
 - a. Divide the total number of disbursements in each 12-month period by the sample size (e.g., 50 disbursements divided by 5 sample

transactions equals 10) to obtain the selection interval.

- b. Use the last digit of the grantee's Vendor ID as a random starting point (e.g., ABC Transit's Vendor ID is 1234, the random starting point is the 4th transaction in each fiscal year).
- c. Beginning at the random starting point, select every transaction that falls at the selection interval (e.g., beginning at the 4th transaction, select every 10th transaction).
- d. For each "Account Class" transaction that is selected, the reviewer should add up all "Account Class" transactions for the corresponding grant number on that date and use this figure for examining the drawdown.

- e. The results are entered onto Exhibit 2.1 of the Triennial Review Worksheets and this information is transmitted to the grantee with the final site visit schedule.

Note: if the last digit of the grantee's Vendor ID is zero, use the next digit to the left as the random starting point (e.g., for a Vendor ID of 1230, the random starting point would be the 3rd transaction).

The list of sample transactions including grant number, transaction date, and amount should be sent to the grantee prior to the site visit. The grantee should be asked to have all supporting documentation for these transactions available for examination.

Step 1a through 1c:

TEAM-Web (Production Database) - Microsoft Internet Explorer

Main Menu - (Home)
[-] Recipients
 [-] View/Modify Recipient
[-] Applications
[-] Review and Approval
[-] Execution
[-] Project Management
[-] Funds Control
[-] Funding Adjustments
[-] Civil Rights
[-] TEAM Administration
[-] Dynamic Query
 [-] Data Query
 [-] Active Projects
 [-] Active Recipients
 [-] Active Users
 [-] Closed Projects
 [-] Closed and Deobligated
 [-] Cumulative Apportionments
 [-] Cur. FY Apportionments
 [-] Cur. FY Obls by Amd.
 [-] Cur. FY Obls by Funding So
 [-] DBE Obls. by Percent
 [-] DBE UZA Data
 [-] Data - Inquire by State
 [-] Deobligations
 [-] Disbursements and Refunds
 [-] Disbursements by %
 [-] Earmark Report
 [-] Earmark Grant Report
 [-] FSR Data
 [-] FTA Recipient
 [-] New Starts by Project
 [-] New Starts by State
 [-] Obligations by Funding Sour
 [-] Operating Budget

Disbursements And Refunds

Data is available for disbursement and refund data,
as imported from DELPHI, FTA's accounting system.

* Please note there is a lag between system data feeds and for up to the minute
disbursement and refund information, it is better to go directly to DELPHI.

Data Fields

SELECT NONE SELECT ALL

1. Recipient ID	2. Project Number
3. Cost Center	4. Account Class Code
5. Financial Purpose Code	6. Transaction Type
7. Transaction Date	8. Transaction Amount

Additional Search Criteria

Recipient ID: 1833
Cost Center: Not Selected
Financial Purpose Code: Not Selected
Status: Any
Project Number:
Acct Class Code:

Data Format

Format Type: Excel
Column Delimiter: Comma
Column Headings: Yes

Submit

Step 1a: Click on "Disbursements and Refunds"

Step 1b: Enter a Recipient ID

Step 1c: Click "Submit" button

1843 Trusted sites

Step 1d:

TEAM-Web (Production Database) - Microsoft Internet Explorer

Main Menu - (Home)

- Recipients
 - View/Modify Recipient
- Applications
- Review and Approval
- Execution
- Project Management
- Funds Control
- Funding Adjustments
- Civil Rights
- TEAM Administration
- Dynamic Query
 - Data Query
 - Active Projects
 - Active Recipients
 - Active Users
 - Closed Projects
 - Closed and Deobligated
 - Cumulative Apportionments
 - Cur. FY Apportionments
 - Cur. FY Obls by Amd.
 - Cur. FY Obls by Funding Sour
 - DBE Obls. by Percent
 - DBE UZA Data
 - Data - Inquire by State
 - Deobligations
 - Disbursements and Refunds
 - Disbursements by %
 - Earmark Report
 - Earmark Grant Report
 - FSR Data
 - FTA Recipient
 - New Starts by Project
 - New Starts by State
 - Obligations by Funding Sour
 - Operation Budget

Disbursements and Refunds

Data Submission Time: 10/25/2007 11:48:06 AM
Setting up Data formatting Environment
Total Steps in Data formatting Process = 1
Processing Step #1
Writing formatted Data to web accessible location
Data Format creation finished: 10/25/2007 11:48:13 AM

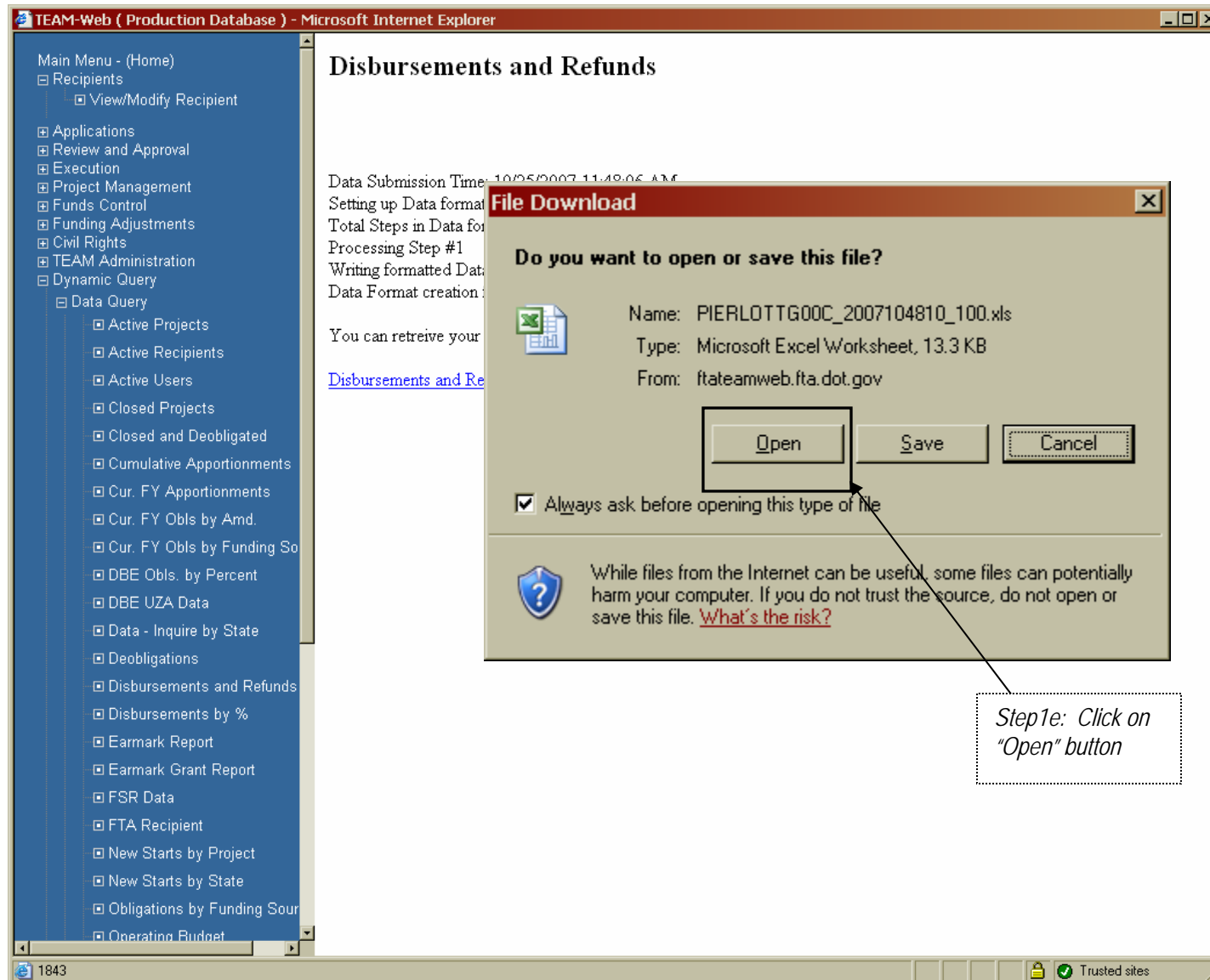
You can retrieve your formatted Data by clicking on the link below

[Disbursements and Refunds](#)

Step 1d: Click on "Disbursements and Refunds" Link

1843 Trusted sites

Step 1e:



Step 1f:

TEAM-Web (Production Database) - Microsoft Internet Explorer

Main Menu - (Home)

- Recipients
 - View/Modify Recipient
- Applications
- Review and Approval
- Execution
- Project Management
- Funds Control
- Funding Adjustments
- Civil Rights
- TEAM Administration
- Dynamic Query
- Data Query
 - Active Projects
 - Active Recipients
 - Active Users
 - Closed Projects
 - Closed and Deobligated
 - Cumulative Apportionments
 - Cur. FY Apportionments
 - Cur. FY Obls by Amd.
 - Cur. FY Obls by Funding Source
 - DBE Obls. by Percent
 - DBE UZA Data
 - Data - Inquire by State
 - Deobligations
 - Disbursements and Refunds
 - Disbursements by %
 - Earmark Report
 - Earmark Grant Report
 - FSR Data
 - FTA Recipient
 - New Starts by Project
 - New Starts by State
 - Obligations by Funding Source
 - Operating Budget

	A	B	C	D	E	F	G	H	I	J	K	L
	recipient id	project id	nur cost	cente	account cl	financial pt	transaction	transaction	amount			
1												
2	1833	IA-03-0080	65000	1997.37.03	0	DISB	6/22/1998	4442				
3	1833	IA-03-0080	65000	1997.37.03	0	DISB	8/26/1997	733415				
4	1833	IA-03-0080	65000	1997.37.03	0	DISB	9/30/1998	111485				
5	1833	IA-03-0086	65000	2003.47.03	0	DISB	3/10/2005	781763				
6	1833	IA-03-0086	65000	2000.47.03	0	DISB	10/3/2001	109104				
7	1833	IA-03-0086	65000	2003.47.03	0	DISB	9/22/2003	34807				
8	1833	IA-03-0086	65000	2001.47.03	0	DISB	7/28/2003	59				
9	1833	IA-03-0086	65000	2003.47.03	0	DISB	7/21/2004	376991				
10	1833	IA-03-0086	65000	2003.47.03	0	DISB	8/25/2004	423429				
11	1833	IA-03-0086	65000	2003.47.03	0	DISB	#####	137057				
12	1833	IA-03-0086	65000	2000.47.03	0	DISB	#####	154650				
13	1833	IA-03-0086	65000	2003.47.03	0	DISB	2/11/2005	12505				
14	1833	IA-03-0086	65000	2001.47.03	0	DISB	#####	-24454				
15	1833	IA-03-0086	65000	2001.47.03	0	DISB	#####	2098				
16	1833	IA-03-0086	65000	2003.47.03	0	DISB	4/20/2004	502781				
17	1833	IA-03-0086	65000	2003.47.03	0	DISB	1/21/2005	730630				
18	1833	IA-03-0086	65000	2001.47.03	0	DISB	#####	-3246				
19	1833	IA-03-0086	65000	2003.47.03	0	DISB	2/23/2004	219462				
20	1833	IA-03-0086	65000	2003.47.03	0	DISB	9/21/2004	459778				
21	1833	IA-03-0086	65000	2001.47.03	0	DISB	#####	3246				
22	1833	IA-03-0086	65000	2001.47.03	0	DISB	#####	24454				
23	1833	IA-03-0086	65000	2001.47.03	0	DISB	8/28/2003	38532				
24	1833	IA-03-0086	65000	2003.47.03	0	DISB	1/27/2004	214974				
25	1833	IA-03-0086	65000	2003.47.03	0	DISB	6/16/2005	620				
26	1833	IA-03-0086	65000	2003.47.03	0	DISB	5/24/2004	247291				
27	1833	IA-03-0086	65000	2003.47.03	0	DISB	4/14/2005	419063				
28	1833	IA-03-0086	65000	2001.47.03	0	DISB	#####	10832				
29	1833	IA-03-0086	65000	2001.47.03	0	DISB	#####	-10832				
30	1833	IA-03-0086	65000	2003.47.03	0	DISB	#####	581639				
31	1833	IA-03-0086	65000	2003.47.03	0	DISB	#####	3246				
32	1833	IA-03-0086	65000	2003.47.03	0	DISB	#####	210589				
33	1833	IA-03-0086	65000	2001.47.03	0	DISB	#####	602				
34	1833	IA-03-0086	65000	2003.47.03	0	DISB	6/22/2004	11681				
35	1833	IA-03-0086	65000	2001.47.03	0	DISB	6/3/2002	7287				
36	1833	IA-03-0086	65000	2001.47.03	0	DISB	4/15/2002	324682				
37	1833	IA-03-0086	65000	2003.47.03	0	DISB	#####	419859				
38	1833	IA-03-0086	65000	2000.47.03	0	DISB	3/5/2002	142304				
39	1833	IA-03-0086	65000	2003.47.03	0	DISB	3/11/2004	10568				
40	1833	IA-03-0086	65000	2001.47.03	0	DISB	5/17/2002	800015				
41	1833	IA-03-0086	65000	2000.47.03	0	DISB	1/23/2002	56396				
42	1833	IA-03-0086	65000	2003.47.03	0	DISB	5/16/2005	210				
43	1833	IA-03-0086	65000	2003.47.03	0	DISB	#####	24454				
44	1833	IA-03-0086	65000	2003.47.03	0	DISB	8/28/2003	67843				

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1843

Trusted sites

Step 1f: Copy and Paste data into an Excel spreadsheet

Step 1g:

recipient id	project number	cost center	account class code	purpc	transaction type	transaction date	transaction amount
1833	IA-90-X309	65000	2005.21.90.91.1	4	DISB	7/18/2007	184418
1833	IA-90-X289	65000	2004.21.90.91.1	4	DISB	6/25/2007	15200
1833	IA-90-X322	65000	2007.25.90.91.2	4	DISB	6/25/2007	737291
1833	IA-90-X265	65000	2003.21.90.91.1	4	DISB	4/11/2007	23663
1833	IA-90-X293	65000	2005.21.90.91.1	4	DISB	4/11/2007	40094
1833	IA-90-X293	65000	2005.21.90.91.1	4	DISB	4/9/2007	39906
1833	IA-90-X289	65000	2004.21.90.91.1	0	DISB	1/18/2007	16058
1833	IA-90-X289	65000	2004.21.90.91.1	0	DISB	10/17/2006	35066
1833	IA-15-X001	78700	2005.61.15.FH.2	0	DISB	6/12/2006	10807
1833	IA-15-X001	78700	2005.61.15.FH.2	0	DISB	5/23/2006	43407
1833	IA-90-X258	65000	2002.21.90.91.1	0	DISB	5/11/2006	4309
1833	IA-90-X289	65000	2004.21.90.91.1	0	DISB	5/11/2006	3091
1833	IA-90-X309	65000	2005.21.90.91.1	4	DISB	5/11/2006	467800
1833	IA-90-X309	65000	2004.21.90.91.1	4	DISB	5/11/2006	5209
1833	IA-90-X289	65000	2004.21.90.91.1	0	DISB	4/13/2006	7400
1833	IA-15-X001	78700	2005.61.15.FH.2	0	DISB	4/13/2006	40
1833	IA-15-X001	78700	2005.61.15.FH.2	0	DISB	4/4/2006	16099
1833	IA-90-X289	65000	2004.21.90.91.1	0	DISB	3/23/2006	117940
1833	IA-15-X001	78700	2005.61.15.FH.2	0	DISB	11/22/2005	50801
1833	IA-15-X001	78700	2004.61.15.FH.2	0	DISB	11/22/2005	24765
1833	IA-15-X001	78700	2004.61.15.FH.2	0	DISB	10/13/2005	6992
1833	IA-15-X001	78700	2004.61.15.FH.2	0	DISB	8/2/2005	389836
1833	IA-90-X242	65000	2001.21.90.91.1	0	DISB	7/20/2005	6611
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	6/16/2005	620
1833	IA-15-X001	78700	2004.61.15.FH.2	0	DISB	6/16/2005	532594
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	5/16/2005	210
1833	IA-90-X293	65000	2004.21.90.91.1	4	DISB	5/16/2005	444955
1833	IA-15-X001	78700	2004.61.15.FH.2	0	DISB	5/16/2005	692824
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	4/14/2005	419063
1833	IA-90-X289	65000	2004.21.90.91.1	0	DISB	4/14/2005	7185
1833	IA-15-X001	78700	2004.61.15.FH.2	0	DISB	4/14/2005	331835
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	3/10/2005	781763
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	2/11/2005	12505
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	1/21/2005	730630
1833	IA-90-X258	65000	2002.21.90.91.1	0	DISB	1/21/2005	24058
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	12/23/2004	419859
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	11/29/2004	137057
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	11/29/2004	581639
1833	IA-90-X265	65000	2003.21.90.91.1	0	DISB	11/29/2004	8337
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	9/21/2004	459778
1833	IA-90-X258	65000	2002.21.90.91.1	0	DISB	9/21/2004	22560
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	8/25/2004	423429
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	7/21/2004	376991
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	6/22/2004	11681
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	5/24/2004	247291
1833	IA-90-X242	65000	2001.21.90.91.1	0	DISB	5/24/2004	225
1833	IA-90-X258	65000	2002.21.90.91.1	0	DISB	5/24/2004	161
1833	IA-03-0086	65000	2003.47.03.31.1	0	DISB	4/20/2004	502781

Step 1g

Steps for Sorting Data in Excel

Sort by: transaction date

Then by:

My data range has: ☒ Header row ☐ No header row

Options... OK Cancel

- Select entire range of data
- Select Data-Sort from the menu
- Sort by "transaction date" in ascending order

Delete rows of data that are outside the 36 month examination period.

Steps 2a through 3d:

<u>No.</u>	<u>recipient id</u>	<u>project number</u>	<u>account class code</u>	<u>transaction type</u>	<u>transaction date</u>	<u>transaction amount</u>	
1	1833	IA-90-X309	2005.21.90.91.1	DISB	7/18/2007	184418	No. Transactions 7 Sample Size 3 Interval 2
2	1833	IA-90-X289	2004.21.90.91.1	DISB	6/25/2007	15200	
3	1833	IA-90-X322	2007.25.90.91.2	DISB	6/25/2007	737291	
4	1833	IA-90-X265	2003.21.90.91.1	DISB	4/11/2007	23663	No. Transactions 13 Sample Size 3 Interval 4
5	1833	IA-90-X293	2005.21.90.91.1	DISB	4/11/2007	40094	
6	1833	IA-90-X293	2005.21.90.91.1	DISB	4/9/2007	39906	
7	1833	IA-90-X289	2004.21.90.91.1	DISB	1/18/2007	16058	No. Transactions 19 Sample Size 3 Interval 6
1	1833	IA-90-X289	2004.21.90.91.1	DISB	10/17/2006	35066	
2	1833	IA-15-X001	2005.61.15.FH.2	DISB	6/12/2006	10807	
3	1833	IA-15-X001	2005.61.15.FH.2	DISB	5/23/2006	43407	No. Transactions 19 Sample Size 3 Interval 6
4	1833	IA-90-X258	2002.21.90.91.1	DISB	5/11/2006	4309	
5	1833	IA-90-X289	2004.21.90.91.1	DISB	5/11/2006	3091	
6	1833	IA-90-X309	2005.21.90.91.1	DISB	5/11/2006	467800	No. Transactions 19 Sample Size 3 Interval 6
7	1833	IA-90-X309	2004.21.90.91.1	DISB	5/11/2006	5209	
8	1833	IA-90-X289	2004.21.90.91.1	DISB	4/13/2006	7400	
9	1833	IA-15-X001	2005.61.15.FH.2	DISB	4/13/2006	40	No. Transactions 19 Sample Size 3 Interval 6
10	1833	IA-15-X001	2005.61.15.FH.2	DISB	4/4/2006	16099	
11	1833	IA-90-X289	2004.21.90.91.1	DISB	3/23/2006	117940	
12	1833	IA-15-X001	2005.61.15.FH.2	DISB	11/22/2005	50801	No. Transactions 19 Sample Size 3 Interval 6
13	1833	IA-15-X001	2004.61.15.FH.2	DISB	11/22/2005	24765	
1	1833	IA-15-X001	2004.61.15.FH.2	DISB	10/13/2005	6992	
2	1833	IA-15-X001	2004.61.15.FH.2	DISB	8/2/2005	389836	No. Transactions 19 Sample Size 3 Interval 6
3	1833	IA-90-X242	2001.21.90.91.1	DISB	7/20/2005	6611	
4	1833	IA-03-0086	2003.47.03.31.1	DISB	6/16/2005	620	
5	1833	IA-15-X001	2004.61.15.FH.2	DISB	6/16/2005	532594	No. Transactions 19 Sample Size 3 Interval 6
6	1833	IA-03-0086	2003.47.03.31.1	DISB	5/16/2005	210	
7	1833	IA-90-X293	2004.21.90.91.1	DISB	5/16/2005	444955	
8	1833	IA-15-X001	2004.61.15.FH.2	DISB	5/16/2005	692824	No. Transactions 19 Sample Size 3 Interval 6
9	1833	IA-03-0086	2003.47.03.31.1	DISB	4/14/2005	419063	
10	1833	IA-90-X289	2004.21.90.91.1	DISB	4/14/2005	7185	
11	1833	IA-15-X001	2004.61.15.FH.2	DISB	4/14/2005	331835	No. Transactions 19 Sample Size 3 Interval 6
12	1833	IA-03-0086	2003.47.03.31.1	DISB	3/10/2005	781763	
13	1833	IA-03-0086	2003.47.03.31.1	DISB	2/11/2005	12505	
14	1833	IA-03-0086	2003.47.03.31.1	DISB	1/21/2005	730630	No. Transactions 19 Sample Size 3 Interval 6
15	1833	IA-90-X258	2002.21.90.91.1	DISB	1/21/2005	24058	
16	1833	IA-03-0086	2003.47.03.31.1	DISB	12/23/2004	419859	
17	1833	IA-03-0086	2003.47.03.31.1	DISB	11/29/2004	137057	No. Transactions 19 Sample Size 3 Interval 6
18	1833	IA-03-0086	2003.47.03.31.1	DISB	11/29/2004	581639	
19	1833	IA-90-X265	2003.21.90.91.1	DISB	11/29/2004	8337	

Step 2a through 2c

Step 3a

Steps 3b and 3c

Procedure resulted in selecting Nos. 3, 5, & 7 Transactions shaded should be examined during the site visit

Step 3d

473009 = sum of IA-90-X309 on 5/11/06

Step 3e:

**EXHIBIT 2.1
EXAMINATION OF ECHO DRAWDOWNS**

Transaction Date	Project Number	Transaction Amount	Remarks (a)
6/25/2007	IA-90-X322	\$737,291	
4/11/2007	IA-90-X293	\$40,094	
1/18/2007	IA-90-X289	\$16,058	
5/23/3006	IA-15-X001	\$43,407	
5/11/2006	IA-90-X309	\$473,009	
3/23/3006	IA-90-X289	\$117,940	
7/20/2005	IA-90-X242	\$66,11	
4/14/2005	IA-03-0086	\$419,063	
1/21/2005	IA-90-X258	\$24,058	

(a) Record information such as ECHO drawdown number, type of expense (i.e., capital, operating, preventive maintenance, etc.), and check/wire transfer number and date

REFERENCES

1. [49 USC Chapter 53](#), Federal Transit Laws.
2. [49 CFR Part 18](#), "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments."
3. [FTA Circular 5010.1D](#), "Grant Management Requirements."
4. [FTA Circular 7008.1A](#), "Financial Capacity Policy."
5. [FTA Circular 9030.1C](#), "Urbanized Area Formula Program: Grant Application Instructions."
6. [FTA Circular 9300.1B](#), "Capital Investment Program Guidance and Application Instructions."
7. [OMB Circular A-87](#), "Cost Principles for State, Local, and Indian Tribal Governments."
8. [OMB Circular A-133](#) "Audits of States, Local Governments, and Non-Profit Organizations."
9. [FTA Master Agreement](#).
10. Single Audit Act Amendment of 1996.

QUESTIONS FOR THE REVIEW

1. *Has FTA conducted a Financial Management Oversight (FMO) review or a Financial Capacity (FC) Analysis during the past two fiscal years? If yes, when was the site visit? Is a review scheduled for the current fiscal year?*

EXPLANATION

FMO reviews and FC analyses are oversight mechanisms of FTA.

If an FMO review has been conducted in the past two fiscal years, or if one is scheduled for the current fiscal year (FYs 2006, 2007, and 2008), triennial reviewers should eliminate the questions under *Part B: Funds Management* and *Part C: Audits* in the Financial area.

If an FCA has been conducted in the past two fiscal years, or if one is scheduled for the current fiscal year (FYs 2006, 2007, and 2008), the questions in *Part A – Financial Capacity* in the Financial area of the triennial review can be eliminated.

FTA also performs Follow-up FMO reviews to ensure that recommendations resulting from full scope reviews were implemented and working properly. If a Follow-up FMO review has been conducted in the past two fiscal years, or if one is scheduled for the current fiscal year, triennial reviewers should still ask the questions in the Financial area. Note: Follow-up reviews are only conducted if the original Full Scope FMO review was done within the previous 18 months, otherwise a Full Scope review is performed due to the time lapse.

REASON FOR THE QUESTION

Input to triennial review

SOURCES OF INFORMATION

The regional office staff will have information on completed and scheduled FMO reviews and FC analyses.

DETERMINATION

None

SUGGESTED CORRECTIVE ACTION

None

Part A. Financial Capacity

2. *What are the grantee's sources of non-FTA funding for operating and capital expenses?*
3. *Is there any pending legislation or "sunset" provision in existing legislation that could affect the grantee's sources of state or local funding or financial capacity?*
4. *In the next few years, does the grantee anticipate any significant changes in the levels of local funding for transit, the sources of local funding for transit, or the current transit service levels?*
5. *What is the grantee's current financial status? Please provide a multi-year financial plan.*
6. *Has the grantee had unfunded operating or capital deficits or liabilities? If so, what are the amounts, nature, and forecast of these deficits/liabilities?*
7. *Based on the responses from above questions, does the grantee have the financial capacity to match and manage FTA grant funds?*

EXPLANATION

Grantees should make capital investment plans on the basis of current and projected capability to maintain and operate current assets, and to operate and maintain the new assets on the same basis. Grantees should have adequate financial capacity to provide at least the same level of service, for at least one replacement cycle of such assets or for 20 years, as appropriate.

Grantees generally have three basic sources of local funding: a perpetual or permanent local tax (e.g., a sales tax, income tax, or property tax); a limited or "sunset" source of funding that expires at some future date; and/or annual appropriations from local, regional, and state governments. Information on the

sources of local funding assists in making determinations concerning both the existing financial condition and the future financial capacity of the grantee. A grantee's financial condition, future financial capacity, and ability to match FTA funds could be affected greatly if one of its sources of non-FTA funding is impacted by pending legislation or "sunset" provisions in current legislation.

Financial condition is reflected in working capital levels, current assets versus liabilities, capital reserves, and the present status of depreciation accounts. Grantees shall have multi-year financial plans (three to five years) that project operating and capital revenues and expenses. The financial plans should indicate adequate revenues to maintain and operate the existing system and to complete the annual Program of Projects. Revenue sources must be stable and reliable enough to meet future capital, and operating costs. Any sign of major decreases in service levels or operations must be explained. If grantees are involved in a New Starts project, the financial plan must have a 20-year horizon.

Financial capacity considers the nature of funds matched to support operating deficiencies and capital programs, along with forecasted changes in fare and non-fare revenues. If a grantee is forecasting new funding sources, strategies for ensuring their availability must be identified. Unfunded capital or operating deficits could indicate a grantee's lack of financial capacity to fund the projects programmed in the TIP, and/or adequately maintain and operate FTA-funded assets at the current level of service.

REASON FOR THE QUESTION

[49 USC 5307\(d\)\(1\)\(a\)](#)

[FTA Circular 7008.1A](#)

[FTA Master Agreement](#) for FY 2009, Section. 5

[FTA Circular 5010.1D](#), Ch VI, Section 4

SOURCES OF INFORMATION

Information on local funding sources can be found in annual audits, budgets, local or state legislation, multi-year financial plans, National Transit Database reports, and the TIP. The current year's budget, including capital and operating expenses and multi-year financial projections are sources of information for financial condition and capacity. The grantee should be asked about pending legislation or "sunset" provisions in current legislation.

DETERMINATION

The grantee is not deficient if the current year's budget and the multi-year financial plan demonstrate: stable transit revenues, an ability to maintain current operations, and the ability to complete the forecasted Program of Projects; and there is no pending legislation or sunset provision in the current legislation that will impact local funding negatively. If the grantee has a limited period of funding or relies on annual

allocations, the funding should be examined to determine that financial capacity exists to maintain the transit system.

If the grantee does not have a multi-year financial plan, it requires corrective action to produce one. Corrective action may be warranted if major service reductions are projected, cost projections appear unreasonable, or annual local funding is not secure. If there is pending legislation that could impact local funding sources negatively, the grantee may be deficient, depending on its ability to continue to provide local match for federal funding. If the local sources of revenue are not sufficient, the grantee is deficient.

SUGGESTED CORRECTIVE ACTION

If a grantee does not have a multi-year financial plan, it should develop one and forward it to the FTA regional office.

If the grantee has a "sunset" provision in current local funding legislation or if there is pending legislation that will affect local funding negatively, the grantee needs to show that local funding will be received to replace current funding or that actions will be made to compensate for the lack of local funding. Where the source of local funding is dependent upon an election, action by local governmental body, or other event, a determination may need to await such an event.

If the local sources of funding are not sufficient to meet expected operating or capital costs, the grantee should provide a plan for reducing expenditures, increasing revenues, or a combination of both to compensate for a budget shortfall.

For any corrective actions, the grantee needs to provide documentation of the anticipated sources of local funding, revenue increases, and/or planned service reductions.

Part B. Funds Management

8. *Do records support the ECHO system requests for and disbursement of funds? Are drawdown requests signed by an authorized official other than the individual who requests the payment?*

EXPLANATION

General financial management capabilities need to be reviewed to ensure that the grantee is requesting and matching federal funds properly. Grantees request federal funds through the Electronic Clearinghouse (ECHO) system. Federal funds that have been requested are to be disbursed promptly. In many

cases, grantees will request funds after expenses have been incurred and paid. In certain cases (e.g., large bus procurements), the federal funds may be requested prior to issuing a check. This procedure is acceptable as long as the monies are disbursed promptly (within three business days). Note that disbursement means that the grantee no longer controls the money (e.g., a check has been sent to a vendor). If the funds are not disbursed promptly, FTA can charge interest beginning on day four.

Grantees may only request funds for expenses that are eligible under the grant. For example, a grant project for preventive maintenance entitles a grantee to drawdown funds for 80 percent of the preventive maintenance expenses accrued at the time the drawdown is conducted. FTA defines preventive maintenance expenses as all maintenance expenses (i.e., those items that meet the NTD definition of maintenance expenses). Fuel is not an eligible preventive maintenance expense. Similarly, funds in a grant project to purchase vehicles may not be used to purchase bus shelters.

A grantee must maintain effective control and accountability for all grant and subgrant cash. Internal control includes having the drawdown requests signed by a person other than the person requesting payment to ensure segregation of duties.

REASON FOR THE QUESTION

49 CFR 18.20

FTA Master Agreement for FY 2009, Section 9.b.

SOURCES OF INFORMATION

A sample of disbursement transactions will be examined. The sample will be selected according to the process identified under the "Areas to be Examined" section on page 2-1 of this document. The ECHO system documentation should support each request for disbursement. The information should track back to an invoice for goods or services, and be supported by information from the grantee's accounting system. The review should identify when checks that used the federal funds were issued to ensure that funds were not held longer than three business days, particularly in cases where federal funds were requested in advance of payment to a vendor or contractor. Another source of information is to compare disbursements with the quarterly Financial Status Reports, Line C. The annual financial audit should be checked to see if any audit findings exist in this area.

DETERMINATION

If the grantee requests funds after incurring the expenses and has supporting documentation, it is not deficient. If supporting documentation generally is good but problems are found or if the system appears to be in place but is not being followed, the grantee is deficient. If a system is lacking, the grantee is

deficient. Note that findings in this area can result in interest being paid to FTA when excessive funds have been requested or funds have been held for more than three days.

If the grantee is holding federal funds for an excessive period of time (four or more days after federal funds have been deposited into the grantee's bank account), the grantee is deficient. If the grantee drew down more funds than were allowed, the grantee is deficient. If funds were drawn down for expenses not eligible under the grant, the grantee is deficient. If such situations have occurred but corrective actions took place, the grantee is not deficient. If the grantee has repeated instances of requesting incorrect amounts through the ECHO system, it is deficient and must take corrective action to repay any over-requested amounts.

If the grantee has different people signing the drawdown request and making the drawdown, the grantee is not deficient. When the person requesting funds is the same person making the drawdown, the grantee is deficient.

SUGGESTED CORRECTIVE ACTION

Documentation must be improved and procedures must be in place to disburse federal monies promptly. The grantee may have to reimburse the Federal Treasury for interest owed.

Procedures must be revised to separate the duties in terms of the person requesting the drawdown and the person making the drawdown.

9. *Are grantees in areas with populations under 200,000 calculating the amount eligible for operating assistance funding appropriately?*

EXPLANATION

FTA operating assistance is available to grantees in urbanized areas with populations under 200,000. It is the responsibility of the grantee to calculate net eligible operating costs properly. The grantee should demonstrate that the amount of funds being requested for operating assistance is no more than half the operating expenses, after fare revenues are used to reduce the operating costs to a net operating project cost and ineligible costs (such as costs for charter, school bus, sightseeing service, and lobbying activities) are eliminated. Note: interest charges on long term debt are considered eligible operating expenses, with certain limitations as described in FTA C 9030.1C, Appendix H. However, payments to principal are considered ineligible expenses.

The federal share of any operating assistance project shall not exceed the lesser of: a) the local match, b)

the currently available apportionment to the urbanized area plus any carryover funds available from past years, or c) 50 percent of the net project cost incurred in the provision of transit services during the period. The remainder must be paid for through the grantees local share. SAFETEA-LU permits the use of the following as local share: cash (or in-kind contribution), non-Federal funds, certain federal funds (e.g., non-DOT funds), contract revenue from state or local social service organizations, non-farebox revenues from transit operations (e.g., advertising and concession revenues), real property integral to the project, and toll credits.

These grantees also may use FTA funding at the 80/20-match level for ADA paratransit, maintenance, and capital cost of contracting. These funds could increase the total amount of FTA funds the grantee could be eligible to request, but would reduce the net project cost eligible for 50/50 operating assistance.

REASON FOR THE QUESTION

[FTA C 9030.1C](#), Appendices D and H

SOURCES OF INFORMATION

Detailed operating budgets showing operating expenses eligible for FTA urbanized area operating assistance funding should be reviewed for the past three years. [FTA C 9030.1C](#) Appendix D provides grantees with a worksheet to determine the amounts of available Urbanized Area Formula Program funds that may be requested. The grantee is not required to submit this worksheet as part of its grant application. However, the grantee must maintain records to support charges to a grant.

DETERMINATION

If the grantee can provide documentation showing that operating assistance amounts are based on net eligible project costs in accordance with 9030.1C, it is not deficient. If the documentation is lacking or shows ineligible project costs included in the calculation of operating expenses, the grantee is deficient.

SUGGESTED CORRECTIVE ACTION

The grantee must improve its documentation and must ensure that procedures are in place to calculate net eligible project costs for operating assistance funds properly. If an inappropriate payment or an overpayment of operating assistance has occurred, the grantee should be directed to reimburse FTA.

methodology for arriving at amounts recorded.

EXPLANATION

Unliquidated obligations are obligations the grantee has entered into and cannot cancel without substantial penalties. Examples of these are: a signed contract for bus purchases for which delivery of vehicles has not yet occurred, a contract for construction services not rendered, open purchase orders, contract retentions, and goods and services ordered but not yet received. These unliquidated obligations should be accounted for on Line D of the FSR. The purpose of this question is not necessarily to ascertain the accuracy of the information on Line D, but to determine if the grantee is reporting unliquidated obligations at all. If the grantee is reporting unliquidated obligations, ask for an explanation of the methodology for arriving at the amounts recorded.

REASON FOR THE QUESTION

[FTA C 5010.1D](#), Ch. III, Section 3
[49 CFR 18.41](#)

SOURCES OF INFORMATION

Milestone/Progress Reports and FSRs should be reviewed to determine if Line D should be completed. If there are awarded contracts for which deliverables have yet to occur, the dollar amount associated with the undelivered portion of those contracts should be represented as unliquidated obligations.

DETERMINATION

If a grantee is reporting unliquidated obligations properly, or has no commitments that should be classified as unliquidated obligations, the grantee is not deficient. If a grantee is not completing the unliquidated obligations portion of the FSR properly, the grantee is deficient.

SUGGESTED CORRECTIVE ACTION

The grantee should develop and submit to FTA procedures to track and report unliquidated obligations correctly on the FSR. The next quarter's FSR must be submitted properly.

10. *Is the grantee properly completing the unliquidated obligations line (Line D) of the Financial Status Report (FSR)? If no, should the grantee be reporting amounts? If yes, describe the*

11. *Are indirect costs being charged to grants? If yes, does the grantee have a cost allocation plan to support indirect administrative costs related to a grant program? If yes, what agency approved the plan? Has the grantee been following the plan?*

EXPLANATION

Under federally funded grant programs, recipients may incur both direct and indirect costs. A cost allocation plan is required to support the distribution of indirect costs related to the grant program, and it must be approved by FTA or by the cognizant federal agency. Cost allocations often are found in municipal systems where overhead/administrative charges are allocated to the transit system. Any and all such charges need to be addressed in the cost allocation plan. In addition to the initial approval by its cognizant agency, a grantee must update the plan annually, and resubmit it for approval in any of the following circumstances:

- The grantee has made a change in its accounting system, thereby affecting the previously approved cost allocation plan/indirect cost rate and its basis of application,
- The grantee's proposed cost allocation plan/indirect cost rate exceeds the amounts approved previously by more than 20 percent, or
- The grantee changes the cost allocation plan/indirect cost rate proposal methodology.

REASON FOR THE QUESTION

[49 CFR 18.3](#)

[OMB C A-87](#)

[FTA C 5010.1D](#), Ch. VI, Section 6, and Appendix E

SOURCES OF INFORMATION

Grant files and correspondence will provide information at the desk review. On-site discussions with a PMO contractor and grantee staff can provide information. The A-133 annual audit also is a source of information regarding the proper implementation of a cost allocation plan. The FSR also has a section where grantees indicate whether they are charging indirect costs to the grant.

DETERMINATION

If a grantee has implemented a cost allocation plan correctly and obtained any necessary approvals, it is not deficient. If the PMO staff, annual audit, or triennial review identifies problems with the administration of the cost allocation plan, the grantee may be deficient. If the grantee has not taken action with regard to an audit finding or if the grantee has not obtained FTA or cognizant agency approval for an

implemented or changed cost allocation plan, it is deficient.

SUGGESTED CORRECTIVE ACTION

The grantee will need to change the administration of its program to correct any deficiencies. It will need to obtain cognizant agency approval of the cost allocation plan.

12. *Is the grantee using FTA capital funds to support ADA paratransit operating costs? If yes, is the grantee classifying no more than 10 percent of its annual formula apportionment of Section 5307 funds as operating expenses for ADA paratransit operating costs?*

EXPLANATION

TEA-21 expanded the definition of an eligible capital project to include the operating cost of ADA complementary paratransit service, under certain limitations. The 80/20 federal/local funding ratio is applicable for such projects as long as the grantee is in compliance with ADA requirements. Capital projects can include the provision of non-fixed-route paratransit transportation services in accordance with Section 223 of the ADA Act of 1990 for amounts not to exceed 10 percent of a grantee's annual formula apportionment in Section 5307. Costs associated with non-ADA paratransit are not eligible for this funding option. For urbanized areas with more than one grantee, the MPO is responsible for working with operators to allocate the 10 percent of the area's apportionment that may be used for ADA paratransit purposes.

Note: grantees are not limited to 10 percent of their apportionment if they choose to use another mechanism (e.g., capital cost of contracting) to pay for their ADA services. Grantees may use a combination of funding mechanisms (e.g., ADA operating, preventive maintenance, and/or capital cost of contracting) provided that they do not double count their costs.

REASON FOR THE QUESTION

[FTA C 9030.1C](#), Ch. III, Section 4.d

SOURCES OF INFORMATION

Information on paratransit expenditures should be included in the current budget or in grant applications.

DETERMINATION

If the expenditures from grant funds for paratransit operating costs are within 10 percent of the total

annual apportionment in Section 5307, the grantee is not deficient. If the grantee is classifying more than 10 percent of these funds as paratransit service expenditures, it is deficient.

SUGGESTED CORRECTIVE ACTION

The grantee needs to revise its classification of expenditures for the use of Section 5307 funds and advise FTA of the actions it has taken.

Part C. Audits

13. *Have annual single audits been conducted?*

EXPLANATION

Non-federal entities that expend \$500,000 or more in federal awards in a year are required to have annual audits in accordance with [OMB Circular A-133](#). In the case of independent transit authorities, the audit will cover all aspects of that authority. Where the transit provider is a municipal department or part of a larger governmental organization, the audit may cover the entire organization, including the federal funds used for transit. In either case, the audit(s) should be reviewed to determine if the grantee is in compliance with the OMB Circular and if any unresolved audit issues exist.

Depending upon the results of their single audit, grantees are required to take one of the following actions:

- If the single audit contained FTA program findings, a copy of the entire audit report must be submitted to the Regional Office. If the grantee received funding from more than one DOT agency and FTA is the grantee's point-of-contact for all DBE program issues, then the grantee must submit the entire audit report if it contains any findings related to any DOT program.
- If the annual single audit report contains no FTA program findings or other DOT program findings, a copy of only the Federal Clearinghouse transmittal sheet must be submitted to the Regional Office.

REASON FOR THE QUESTION

[49 CFR 18.26](#)

[Dear Colleague Letter, C-05-04, June 17, 2004](#)

Single Audit Act Amendment of 1996

SOURCES OF INFORMATION

Beginning in FY2004, audit reports or copies of the clearinghouse transmittal sheets should be available at the regional office during the desk review. If the reports are not available at the desk review, they, and

any management letters, should be requested and reviewed prior to the site visit. Audit reports are to be issued within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant agency.

The Federal Audit Clearinghouse can be accessed at <http://harvester.census.gov/sac/>. This site provides links to single audit reference information and allows the user to retrieve single audit data.

DETERMINATION

If the grantee has had audits conducted in accordance with [OMB C A-133](#) and submitted these reports or the clearinghouse transmittal sheets as required, it is not deficient. If the grantee has not been conducting annual single audits in accordance with [OMB C A-133](#), it is deficient. If the grantee has not submitted its audit reports or clearinghouse transmittal sheets to the regional office as required, it is deficient.

SUGGESTED CORRECTIVE ACTION

The grantee needs to conduct annual single audits in accordance with [OMB C A-133](#).

14. *Are there any unresolved compliance issues in the single audits conducted in the past three years? If yes, what is the status of these issues?*

EXPLANATION

Audit findings related to the FTA program not only could impact financial areas of the grantee, but can serve as information for other sections of the triennial review. Resolution to audit findings should be discussed in this section.

REASON FOR THE QUESTION

[49 CFR 18.26](#)

SOURCES OF INFORMATION

A-133 audit reports and management letters should be reviewed for this information.

DETERMINATION

If there are no outstanding issues from the annual audit, the grantee is not deficient. If the grantee has not taken appropriate action to resolve audit issues promptly, it is deficient.

SUGGESTED CORRECTIVE ACTION

The grantee needs to resolve outstanding audit issues.

15. *Have any Government Accountability Office (GAO) or Office of Inspector General (OIG) audit reports completed during the triennial review period had findings related to FTA program requirements? If yes, have these findings been resolved?*

EXPLANATION

The GAO and OIG periodically conduct independent audits. Audits may be of a grantee, but often are programmatic audits addressing a national issue (e.g., spare ratios, extended warranties, etc.) where the grantee may have had a specific part of its operation audited. The audit findings, for which agreement has been reached with the OIG or the GAO, should be noted and investigated to determine if proper follow-up actions have been taken to resolve the findings. Audit findings should be resolved within one year.

REASON FOR THE QUESTION

Input into triennial review

SOURCES OF INFORMATION

GAO and OIG audits may be available at the desk review. If the documents are not available in the regional offices, copies should be provided prior to the site visit. All audits should be reviewed, and findings should be discussed at the site visit.

DETERMINATION

If there are no open GAO or OIG audit findings, the grantee is not deficient. If the grantee has not taken appropriate action to resolve audit issues promptly, it is deficient.

SUGGESTED CORRECTIVE ACTION

The grantee needs to resolve outstanding audit issues.

16. *Have any internal, state, or local governmental audit reports had findings related to FTA program requirements?*

EXPLANATION

In addition to the external audits, some transit organizations and other forms of local or state government have internal auditors. A listing of internal audit reports should be reviewed at the site visit. The internal audit function and specific findings of reports should be discussed with the internal auditor at the site visit. Also, internal audit reports of interest should be reviewed. Likewise, state or local government audits, if applicable, should be reviewed.

REASON FOR THE QUESTION

Input into triennial review

SOURCES OF INFORMATION

State, local, and internal audit information will be obtained during the site visit.

DETERMINATION

If the grantee has no unresolved findings from internal, state, or local audits, it is not deficient. If the grantee has not taken appropriate action to resolve audit issues promptly, it is deficient.

SUGGESTED CORRECTIVE ACTION

The grantee needs to resolve open audit issues.